

THE RETURN OF TARGETED CASH TRANSFERS

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

With the announcement of a minimum income guarantee (MIG) scheme by the Congress president, the agenda of universal basic income (UBI) has moved from an academic discussion to the political arena. As of now the proposal of MIG is only an electoral promise with no further details available. On Friday, the general budget announced a scheme, Pradhan Mantri Kisan Samman Nidhi, under which vulnerable landholding farmer families, having cultivable land up to 2 hectares, will be provided direct income support of 6,000 a year. The appeal of some form of income transfer is now seriously being discussed by all political formations. The idea is not new and has been in discussion for some time among academics in India but attracted attention after it was proposed in the Economic Survey of 2017.

In simple terms the proposal of transferring some income to every citizen is built on the twin principles of universality and a notion of minimum basic income to those living at the poverty line. The principle of universality is at the core of it given the problems of targeting. But some form of income support to those who are unable to participate in labour market has been there in most countries in some form or other including in India, like the National Social Assistance Programme (NSAP) pensions for widows, elderly and disabled.

Although the idea of UBI has been in discussion for decades, no country has implemented it. While a proposal for UBI was rejected by a three-fourth majority in Switzerland, Finland which started a pilot has now discontinued it. But even in Finland, the pilot was not a strict UBI but a social protection scheme aimed at only the unemployed. While there have been some pilots by NGOs in developing countries in Asia and Africa, they have varied in content of transfer and coverage with only few being fully universal and only the Namibia pilot experiment provided income transfer to people in the poverty line.

The proposals in the Indian context have mostly been for a targeted income transfer scheme and not UBI. In developed countries, the UBI is supposed to supplement existing social security provisions and a top-up over and above universal provision of health, education and so on. In the Indian context, most arguments in favour of UBI are premised on the inefficiencies of existing social security interventions and seek to replace some of these with direct cash transfers.

It is not just the fascination for targeting the poor which is at the core of these proposals but also a belief that all existing forms of social security transfers are inefficient. While there is certainly some exaggeration in such claims, it is not true that the system of cash transfers is efficient and therefore leakage proof. Several studies on cash transfers including one by J-PAL South Asia for NITI Aayog found that cash transfers are not greatly superior in terms of leakages compared to other schemes of in-kind transfer such as the public distribution system (PDS). On the other hand, numerous studies have documented that a move towards universalisation and use of technology enabled Chhattisgarh and Tamil Nadu to reduce leakages in the PDS. But the real message from these experiments is also that universalisation is the key to efficient delivery of services against targeting proposed by these cash transfer schemes.

The obsession with cash transfers also comes with an understanding that these will take care of all problems. The current sets of proposals claim these as silver bullets for agrarian crisis to malnutrition to educational deficit and also a solution for the job crisis. This is a tall order with different reasons for persistence for some of these. A good example is the public distribution

system (PDS) where it is clearly established that in-kind transfers are twice as effective in increasing calorie intake compared to equivalent cash transfer.

The real issue with the approach of a targeted cash transfer scheme is that it envisions the role of the state to only providing cash income to the poor. This kind of 'Robin Hood' approach seeks to absolve the state of its responsibility in providing basic services such as health, education, nutrition and livelihood. But it is also iniquitous since it seeks to create demand for services without supplying the services, leaving the poor to depend on private service providers. There is now sufficient evidence which shows that privatisation of basic services such as health and education leads to large scale exclusion of the poor and marginalised. In any case, India is among the countries with lowest expenditure to GDP ratio as far as expenditure on health, education and so on are concerned.

The best antidote to poverty is enabling citizens to earn their living by providing jobs. For those who are willing to work, schemes such as the Mahatma Gandhi National Rural Employment Guarantee Scheme should be strengthened to enable them to earn decent incomes. Similarly, the crisis in agriculture is unlikely to be resolved by income transfers. But even with free and universal access to public services and access to livelihood opportunities, there may be a role for cash transfers, particularly for those who are unable to access the labour market or are marginalised due to other reasons. The NSAP seeks to do exactly that by providing pensions to elderly, widows and disabled. But even for these vulnerable and marginalised groups, the Central contribution to pensions has been only 200 per month. If governments cannot ensure decent incomes to the poor, then the issue is not of details of minimum income transfers but that of intent of those who are promising to eradicate poverty through income transfers. On this, there is no ambiguity.

Himanshu is Associate Professor, Centre for Economic Studies and Planning, School of Social Sciences, Jawaharlal Nehru University, New Delhi

Pakistan's identity crisis, going back to the debates since its creation, remains unresolved

END

Downloaded from crackIAS.com

© **Zuccess App** by crackIAS.com